

EB-2015-0072

Grimsby Power Inc.

**Application for electricity distribution rates and other
charges beginning May 1, 2016**

**INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")**

April 8, 2016

**GRIMSBY POWER INC.
2016 RATES REBASING CASE
EB-2015-0072**

**ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES**

EXHIBIT 1 – ADMINISTRATIVE DOCUMENTS

1-Energy Probe-1

Ref: Exhibit 1, page 18

- a) Please update Table 1-2 to reflect actual data for 2015.
- b) Are the figures shown in Table 1-2 based on deemed equity used for regulatory purposes or based on actual equity used for financial reporting? If the latter, please provide a version of Table 1-2 that reflects the calculation of the return on equity that is consistent with its calculation for regulatory purposes.
- c) Please provide an estimate of the return on equity for 2015 and 2016 that excludes the impact of the merger with NWTC.

1-Energy Probe-2

Ref: Exhibit 1, page 72

The evidence states that there was a net gain of almost \$6,000 for pole rental fees, based on an increase from one company of \$4,000 and a reduction of \$1,979 for another. Please reconcile.

1-Energy Probe-3

Ref: Exhibit 1, page 94

Grimsby Power is requesting an effective date of May 1, 2016 but is requesting that the effective date remain January 1 moving forward. Does this mean that Grimsby Power would change distribution rates January 1, 2017 and each January 1 thereafter?

1-Energy Probe-4

Ref: Exhibit 1, page 119

Does Grimsby Power Inc. incur any expenses, including Board of Directors costs, which are included in the revenue requirement related to any of the affiliates shown in Figure 1-3 (Grimsby Energy Inc., Grimsby Hydro Inc., and Niagara Power Inc.)? If yes, please provide details for the bridge and test years, and any costs included in the historical figures provided in this application.

1-Energy Probe-5

Ref: Exhibit 1, Appendix 1-B, page 9

- a) Please provide a table that shows for 2015 and 2016 the costs incurred by Grimsby Power associated with the Niagara West MTS broken down into three line items - total OM&A expenses, depreciation and cost of capital.**
- b) Does the cost of capital included in the response above include only debt related costs, or does it include an amount for the return on equity? If it does not, please add a fourth and fifth line to the table requested in part (a) that shows the return on equity associated with the NWTs now being a distribution asset, along with the associated PILs.**
- c) Please provide a table for 2011 through 2015 that shows the costs paid to NWTs for transmission service. If these figures are different from those shown in Appendix 1- A, page 27, please explain fully.**
- d) Was any analysis of the impact on Grimsby Power customers done of moving the NWTs from a separate company to a distribution asset within Grimsby Power? If yes, please provide the analysis. If no, please explain why not.**

1-Energy Probe-5

Ref: Exhibit 1, Appendix 1-B, page 9

- a) Please show the test year revenue requirement associated with the movement of the NWTs assets into distribution assets. In providing the response, please show the calculation of the rate base, and each of the components of the revenue requirement associated with this asset, including OM&A, cost of debt, return on equity, depreciation, property taxes (if not included in OM&A).**

- b) **Has Grimsby Power included any revenue at current rates in the test year for the revenue that would have been received by the transmission company? In other words, does the deficiency of \$1,872,051 reflect the additional distribution costs but no additional revenue associated with the NWTS asset?**
- c) **What is the amount of revenue from NPEI that has been included in the 2016 distribution rates at current rates?**

EXHIBIT 2 – RATE BASE

2-Energy Probe-6

Ref: Exhibit 2, pages 15 & 16

- a) **Please provide an updated Table 2-9 that reflects actual data for 2015. If audited 2015 actual data is not yet available, please update to reflect the best information currently available.**
- b) **Based on the response to part (a) above, please update Table 2-10 to reflect any changes in the opening balances and any changes to the additions in 2016 as a result of changes in 2015.**
- c) **Please explain what the expenditures shown for account 1815 in 2015 and 2016 are for.**
- d) **Please confirm that the opening balance figures shown in 2015 for accounts 1815, 1808 and 1805 are all related to the NWTC amalgamation and that these figures are the closing balances from NWTC for these same accounts and do not included any premium paid, or goodwill or other assets. If this cannot be confirmed, please provide a detailed list of what was transferred, the value at which it was transferred for each asset transferred.**

2-Energy Probe-7

Ref: Exhibit 2

- a) **Please explain why the depreciation expense calculated in Tables 2-11 through 2015 tend be about \$10,000 on average higher than the depreciation expense shown in the continuity schedules.**
- b) **Please confirm that the depreciation expense included in the test year revenue requirement is based on the estimate provided in the continuity schedule (Table 2-10) and not the estimate provided in Table 2-15.**

- c) Which depreciation expense does Grimsby Power use for financial accounting purposes?
- d) Please explain the difference in the depreciation expenses shown in Table 2-10 (\$1,036,424) and in Table 2-15 (\$1,046,481) and the figure used in the PILs calculation of \$1,024,035 (Exhibit 4, PILs Workform). Which of the two figures (Tables 2-10 and 2-15) is the basis used for PILs purposes?

2-Energy Probe-8

Ref: Exhibit 2, Tables 2-10 and 2-16

Please confirm that the fully allocated depreciation adjustment of \$23,081 shown in Table 2-16 for 2016 is the OM&A component of the \$35,840 shown in Table 2-10 and the difference is the amount that is capitalized. If this cannot be confirmed, please explain.

2-Energy Probe-9

Ref: Exhibit 2, Table 2-19

Please update Table 2-19 to reflect any updated rates now available for 2016 for network and connection charges, regulatory charges, low voltage charges and smart meter entity charges.

2-Energy Probe-10

Ref: Exhibit 2, Table 2-20

- a) Please update Table 2-20 to show actual expenditures for 2015 along with any changes proposed for 2016 as a result of the actual expenditures in 2015.
- b) Please provide a version of Table 2-20 that shows the budget total for each of 2011 through 2015 in place of the plan amount.

2-Energy Probe-11

Ref: Exhibit 2, Table 2-28

- a) Please confirm that contributions received in 2011 through 2015 and forecast for 2016 are related to new subdivisions or plant relocation. If this cannot be confirmed, please explain what other capital expenditures are partially offset by contributions.**
- b) Please provide a table that shows, for each of new subdivisions, plant relocations and any additional areas identified in part (a) above, the gross capital expenditures, contributions and net capital expenditures for each of 2011 through 2016. Please include 2015 actuals rather than the forecast.**

2-Energy Probe-12

Ref: Exhibit 2, Table 2-28

- a) Please update Table 2-28 to reflect actual data for 2015 and any changes made to 2016.**
- b) Please show which projects correspond to the \$1,326,736 and \$45,000 shown for account 1815 in 2015 and 2016, respectively, in Tables 2-9 and 2-10.**
- c) Please provide details with respect to the Half Wind Project.**

2-Energy Probe-13

Ref: Exhibit 2, page 55

The evidence states that Grimsby Power's accounting policy is to expense borrowing costs and that it does not capitalize interest on capital projects. Please provide the interest on capital projects that was expensed for each of 2011 through 2016.

EXHIBIT 3 – OPERATING REVENUE

3-Energy Probe-14

Ref: Exhibit 3, Tables 3-2, 3-3 & 3-4

Please update Tables 3-2, 3-3 and 3-4 to reflect actual data for 2015.

3-Energy Probe-15

Ref: Exhibit 3, page 3

Grimsby Power indicates that there is no need to develop a kWh forecast for the embedded distributor customer. Please confirm that this means that Grimsby Power is not charged for the commodity consumed by NPEI and that therefore there is no cost of power included in the working capital calculation associated with the embedded distributor consumption. If this cannot be confirmed, please explain fully.

3-Energy Probe-16

Ref: Exhibit 3, page 12

The evidence states that the historical loss factor used to convert purchases to billed kWhs is 4.77% which represents the average loss factor for 2005 and 2014. Is this average based only on 2005 and 2014 or on 2005 to 2014? If the former, please provide the average loss factor for the 2005 through 2014 period.

3-Energy Probe-17

Ref: Exhibit 3, page 22

- a) Please expand Tables 3-19 and 3-20 to include actual data for 2015.**
- b) Please confirm that in Table 3-20 the "Average 2005 & 2014" line should read "Average 2005 - 2014".**

3-Energy Probe-18

Ref: Exhibit 3, page 9, page 4, Table 3-9 and Load Forecast Spreadsheet

On page 9, the evidence states that one of the factors used in the regression model is the number of customers, excluding street lighting connections. On page 4, the evidence states that customer/connection values are on a 12 month average basis. In Table 3-9, the forecast of customers/connections excluding street lighting connections is 11,242 for 2016. For the historical years, the figures used in the power purchase sheet of the Load Forecast Spreadsheet equal the average number of customers shown in the rate class customer sheet. However, the average number of customers used for forecasting purposes for 2016 in the power purchase sheet of the Load Forecast Spreadsheet is 11,173, not 11,242. Please reconcile and correct if and where necessary.

3-Energy Probe-19

Ref: Exhibit 3, Table 3-41

Please update Table 3-41 to include actual data for 2015. If actual data for 2015 is not yet available, please update to include the most recent year to date actuals along with an estimate for the remainder of 2015.

3-Energy Probe-20

**Ref: Exhibit 3, Appendix 2-H &
Exhibit 4, Table 4-47**

- a) Please show where in Appendix 2-H the figures shown in Table 4-47 for 2016 are found.**
- b) Please provide a breakdown of the sources of revenues in account 4375 and the corresponding costs in account 4380 for each of the years shown.**
- c) The margin between accounts 4375 and 4380 was about \$26,000 in 2014, but only about \$4,000 in 2015 and 2016. Please explain this decrease.**
- d) Please provide the actual figures in accounts 4375 and 4380 for 2015.**

EXHIBIT 4 – OPERATING EXPENSES

4-Energy Probe-21

Ref: Exhibit 4

Please update Tables 4-1, 4-3, 4-4, 4-5, 4-6, 4-7 and 4-8 to reflect actual data for 2015. If actual data for all of 2015 is not yet available or audited, please update the tables to reflect the most recent estimate for 2015.

4-Energy Probe-22

Ref: Exhibit 4, Table 4-19

Please provide an updated and revised Table 4-19 that includes actuals or the most recent estimate for 2015, along with additional lines that show the amount, by year, of employee costs included in OM&A and the amount capitalized.

4-Energy Probe-23

Ref: Exhibit 4, Table 4-4

- a) Please confirm that the actual cost of service application cost for the last COS application was \$173,368 and this is the amount shown in the actual 2012 column. If this cannot be confirmed, please provide the actual cost and the relationship to the \$173,368.**
- b) What was the amount included in the Board approved 2012 OM&A costs for the cost of service application? Was this amount amortized over a four year period? If not, please explain.**
- c) Please explain the reduction of \$198,368 in the cost of service application costs shown in 2013. Please show how this amount is related to the actual and Board approved cost of service application costs.**

4-Energy Probe-24

Ref: Exhibit 4, Table 4-4

- a) It appears that the costs for the customer surveys are incurred every second year. Please confirm this.**
- b) Please confirm that the customer survey cost was \$20,500 in 2014 and is forecast to be \$22,075 in 2016. Please explain this 7.7% increase in the cost.**
- c) What OM&A costs were incurred by NWTC in 2013 and 2014?**

4-Energy Probe-25

Ref: Exhibit 4, Table 4-20

Please expand Table 4-20 to include the current projections of FTEs for 2017 through 2020 that reflect the current succession plans that are reflected in the 2016 figures.

4-Energy Probe-26

Ref: Exhibit 4, pages 66-68

Please provide a table that shows for each of 2012 through 2016, including 2015 actuals, the total potential incentive payments that could have been made if all targets were met, and the actual incentive payments that were made (or forecast to be made for 2016). Please provide the potential and actual payments on an aggregate basis only.

4-Energy Probe-27

Ref: Exhibit 4, page 69

Does Grimsby Power charge its affiliate (Niagara Regional Broadband Network) the Board approved pole attachment rate of \$22.35 per pole through the Pole Rental Agreement? If not, what is the charge? Is this the same rate that is charged to non-affiliates for pole attachments?

4-Energy Probe-28

Ref: Exhibit 4, pages 81-82

- a) Please confirm that the cost of service application cost of \$123,102 noted on page 81 has not been included in the 2015 figures in Table 4-1.**
- b) Please explain the more than 50% increase in regulatory costs shown in Table 4-49 for the current cost of service application relative to that for the 2012 application.**
- c) Please provide a column that shows the total costs associated with the current cost of service application assuming no oral hearing is required and all issues are agreed to in a settlement proposal.**

4-Energy Probe-29

Ref: Exhibit 4, Table 4-4 & Table 4-50

- a) Please reconcile the 2016 increase of \$22,075 for customer surveys shown in Table 4-4 with the first two lines in Table 4-50.**

- b) Please explain the repairs to the main gate shown in Table 4-50 when it appears that the repairs were included in the 2015 costs shown in Table 4-4.
- c) Please explain the 1/5 factor in Table 4-50 for the Director of Customer Accounts.
- d) Please explain the 3/5 factor in Table 4-50 for the Journeyman Lineman 24 to 36.

4-Energy Probe-30

Ref: Exhibit 4, Tables 4-51 & Table 4-49

Please confirm that the amortized intervenor costs of \$11,000 shown in Table 4-51 for 2016 are already included in the \$60,765 figure shown in Table 4-51 for consultants costs for regulatory matters. If this cannot be confirmed, please reconcile this with the figures shown in Table 4-49 which indicates that the intervenor costs are included in the \$60,765 figure.

4-Energy Probe-31

Ref: Exhibit 4, page 86

Please confirm that there are no charitable or political donations (other than LEAP related funds) included in any of the historical or bridge year figures shown in Table 4-1. If this cannot be confirmed, please provide the amount included in Table 4-1 for each year shown. For example, are any of the figures shown in Table 4-52 included in Table 4-1?

4-Energy Probe-32

Ref: Exhibit 4, page 87

Please explain why the actual 2012 depreciation expense was more than \$100,000 lower than the Board approved figure, as shown in Table 4-53.

4-Energy Probe-33

Ref: Exhibit 4, Table 4-60 & Table 4-61

- a) Please explain why Grimsby Power has put the computer hardware assets in CCA class 10 rather than CCA class 50 or 52.

- b) Please indicate where in Table 4-60 the Niagara West MTS have been included and please explain why they have been added in the CCA class that has been used.

4-Energy Probe-34

Ref: Exhibit 4, Table 4-62

- a) Please update Table 4-62 to reflect actual data for 2015, or the most up to date information available for 2015.
- b) Please explain why there is no apprenticeship tax credit shown for 2014, when there is a \$10,000 credit shown in the 2014 tax filing in Appendix 4-C.

4-Energy Probe-35

Ref: Exhibit 4, Appendix 4-E

- a) Please explain why the amortization added to net income before taxes of \$1,024,035 for tangible assets and \$135,385 for intangible assets is greater than the depreciation expense of \$1,036,424 shown in Table 2-10.
- b) Please confirm that the intangible depreciation amount of \$135,385 is already included in the total depreciation expense of \$1,036,424.
- c) Please explain the same adjustments made in the 2015 bridge year, where the tangible and intangible amortization added back for PILs purposes is in excess of the depreciation shown in Table 2-9.

4-Energy Probe-36

Ref: Exhibit 4, Appendix 4-E

- a) Please explain why Grimsby Power has not claimed any tax credits in the calculation of PILs for 2016.
- b) How many positions does Grimsby Power forecast it will have for 2016 that will qualify for the Ontario Apprenticeship Tax Credit?
- c) How many positions does Grimsby Power forecast it will have for 2016 that will qualify for the Federal Job Creation Tax Credit?

- d) Does Grimsby Power expect to have any positions that qualify for the Ontario Co-operative Education Tax Credit?

EXHIBIT 5 - COST OF CAPITAL AND CAPITAL STRUCTURE

5-Energy Probe-37

Ref: Exhibit 5, page 4 & Appendix 2-OB

- a) Please update the average amounts for 2016 and the rates associated with the \$2,670,000 loan and the \$600,000 loan that were renewed in January, 2016.
- b) Please update the 2016 table in Appendix 2-OB that reflects the figures from part (a) above and any other changes that may have occurred.

5-Energy Probe-38

Ref: Exhibit 5, Appendix 2-OB & Appendix 5-B

Please explain the difference in the rates used for each of the following between the 2016 table in Appendix 2-OB and the figures shown in Appendix 5-B:

- i) Loan #9206681-12 (3.34% vs. 3.33%),
- ii) Loan #9206681-13 (3.52% vs. 3.50%),
- iii) Loan #9520695-04 (6.38% vs. 6.35%).

5-Energy Probe-39

Ref: Exhibit 5, Appendix 5-A

- a) Please provide a copy of the promissory note issued by the town on December 18, 2007 that is referred to in the amended and restated promissory note.
- b) Given that Grimsby Power has been able to obtain third party financing at rates well below 4.0% over the last number of years, has Grimsby Power investigated the potential savings to ratepayers of replacing the affiliate debt with third party debt? If not, why not?

EXHIBIT 6 - CALCULATION OF REVENUE DEFICIENCY OR SUFFICIENCY

6-Energy Probe-40

Ref: Exhibit 6, Table 6-1

Does Table 6-1 reflect actual data for 2015? If not, please provide a version of Table 6-1 that reflects actual data for 2015. If audited or final data for 2015 is not yet available, please update the 2015 column to reflect the most up to date information available.

6-Energy Probe-41

Ref: Exhibit 6

Based on any corrections, changes or updates (such as the cost of power), please:

- a) Provide updated Tables 6-1 and 6-2.**
- b) Provide an updated RRWF that includes the appropriate and necessary entries in the Tracking Form indicating the interrogatory response which is the basis for the change made. Please also provide the RRWF in electronic form.**

EXHIBIT 7 – COST ALLOCATION

7-Energy Probe-42

Ref: Exhibit 7, pages 4-5

Please provide a live spreadsheet that shows the calculations that result in the weighting factors for billing and collection shown in Table 7-2.

7-Energy Probe-43

Ref: Exhibit 7, page 5

Please explain the difference between a smart meter and a network meter (Table 7-3) and explain why a large number of residential customers have a network meter rather than a smart meter.

7-Energy Probe-44

Ref: Exhibit 7, Table 7-4 & Sheet I7.2

- a) Please confirm that the weighting used for the GS < 50 class is 1.0 and is 0.0 for the street lighting, USL and embedded distributor classes.**
- b) Please explain why there is no meter reading expense or meter capital (Sheet I7.1) allocated to the embedded distributor class.**

7-Energy Probe-45

Ref: Exhibit 7, pages 9-13 & CA Model

The evidence indicates that NPEI (former Peninsula West Utilities) paid an aid to construction of \$1,311,736 to the Niagara West Transformation Corporation which is now referred to as the Niagara West MTS.

- a) Please confirm that the above is correct.**
- b) Did Grimsby Hydro pay any aid to construction to Niagara West Transformation Corporation for this asset? If yes, please quantify. If no, please explain why only NPEI paid an aid to construction.**

EXHIBIT 8 - RATE DESIGN

8-Energy Probe-46

Ref: Exhibit 8, pages 7-8

Please provide the costs paid associated with the Niagara West MTS in each of 2013, 2014 and 2015. For 2015 please indicate how many months of costs are included in the figure.

EXHIBIT 9 - DEFERRAL AND VARIANCE ACCOUNTS

9-Energy Probe-47

Ref: Exhibit 9, page 10 & Table 9-9

On page 10 of the evidence, it is stated that as of the end of 2015 there will no longer be any balance in account 1575. However, Table 9-9 shows a total claim for disposition of (89,218). Please explain.